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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

SUBJECT Russian Control of Danube Shipping

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SUPPLEMENT

ORIGIN

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1. The Russian policy regarding the Danube has just entered the second phase.
2. The Soviet Army began by occupying the DDSG port installations. They next took over the main office building in order to have access to all statistics and information already compiled by DDSG, the oldest and most important of the Danube shipping firms. This was the first stage, accomplished throughout by the pressure furnished by Soviet martial law.
3. At the same time, the SDGP (Sovetskoye Dunaiskoye Gosudarstvennoye Parokhodstvo) - Soviet Government Danube Shipping Co. - was established. Moscow is the seat of the company, which has agents and administrators in all Danubian countries.
4. The Soviet Army transferred all the properties seized by it, such as ships, harbors, and wharf installations to the SDGP and other Soviet interests. Contracts were made with the lower Danubian countries in the Russian sphere, which guaranteed everywhere the predominating influence of SDGP. Austria, however, refused to sign the agreement giving the Soviets 51% of the DDSG holdings, so it was necessary for Soviet martial law to continue to govern Danube shipping in Austria.
5. A general Danube conference was delayed by the Soviets until they were assured of the success of their scheme. They planned to set up the SDGP as the leading Danube shipping company, with emphasis on mercantile traffic, since passenger traffic has little more than regional value. If the plan succeeds, it would be possible for the SDGP to dictate all transit trade and tariff questions, thus completely assuring the foundations of its domination of traffic on the Danube. The SDGP, operating under state subsidy, can afford to make its tariff rates so low as to render the possibility of competition by independent Danube shipping firms virtually non-existent. Thereby, any navigation company not associated with the SDGP will sooner or later be forced into bankruptcy.
6. Even though Russia has control of the whole of the lower Danube, Austria is nevertheless of great importance to her. The Austrian Danube is the keystone of the Soviet plan to forge the Danube and the German canal system into a link between the North Sea, the Baltic Sea on the one hand and the Black Sea on the other. Consequently, although the Russian Navy has been almost entirely withdrawn from the Austrian Danube, the

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DADSO	X	FBK		FBV	SFDS	X		
EXEC.		FBL		FBX	SPDY			
CONTROL		FBM			CFCB			
PLANS	X	FBP			CTCB			

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Soviet Army remains to aid the SDGP in circumventing all obstacles to the master plan, at least until the completion of the state treaties.

7. An example of the cooperation and support rendered the SDGP by the Army may be seen in the relationship between the dockyards Winterhafen, Korneuburg, and Kuchelau. The Kuchelau dockyard is operated by the Soviet Army; the Winterhafen dockyard - formerly Austrian private property - is to all intents and purposes under the control of SDGP. All the installations of the Korneuburg dockyard which were not taken to the USSR were given to the SDGP at Winterhafen, while the Korneuburg yard was supplied with machinery from Hungary. According to the agreement in the state treaty, the Russians will return the Korneuburg yards to Austria, but have the right to remove the Hungarian machinery. Thus, the main central European Danubian dockyard will be rendered almost unusable.
8. The workers receive three times as much pay as those working for the Austrian DDSG. This is intended to influence them politically now, and to prepare them for subsequent propaganda activities in support of the Soviet plan of consolidating DDSG and SDGP.

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